

Essex Pension Fund

Update on Pension Fund Activity

Agenda Item 06



Contents:

- Section A: Business Plan Progress Update
- Section B: Scorecard Update
- Section C: Risk Management

Essex Pension Fund

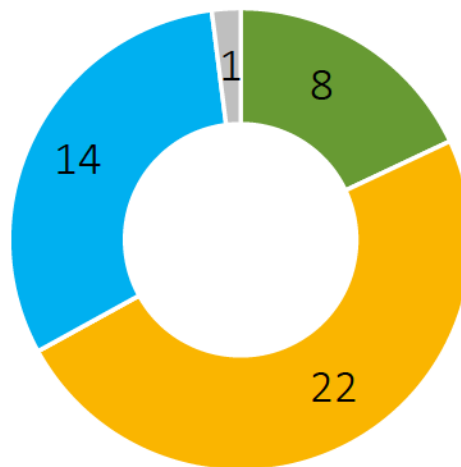
Section A 2021/22 Business Plan Progress Update

01 April 2021 – 31 May 2021



Strategic BAU & Key Priorities

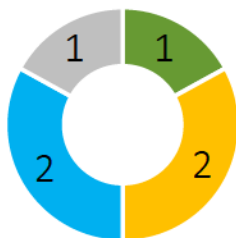
Essex Pension Fund



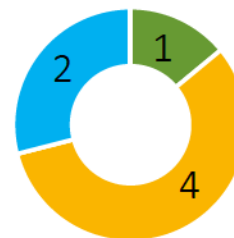
Of 45 Priorities

■ Completed ■ In Progress ■ Delayed ■ Not due to start ■ Not Applicable

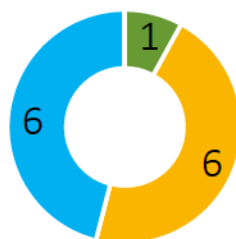
Funding



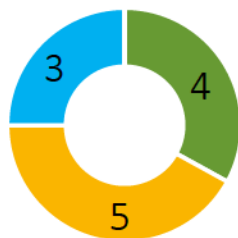
Administration



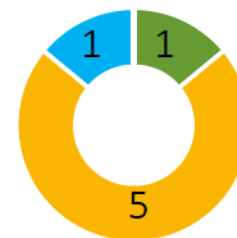
Investments



Governance



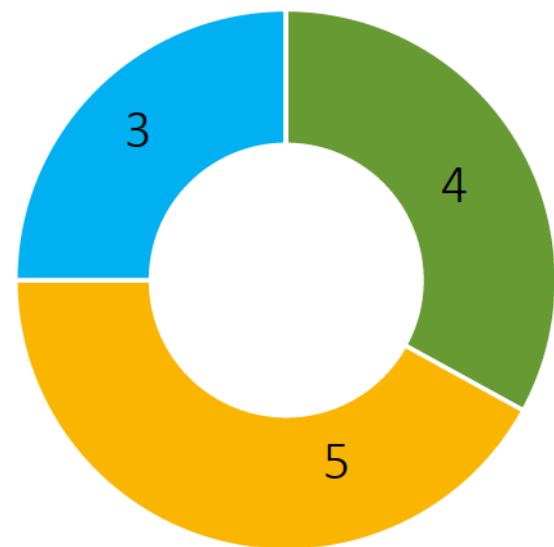
Communications



1. Progress - Governance



Strategic BAU & Key Priorities



■ Completed
■ Delayed
■ Not Applicable
■ In Progress
■ Not due to start

Strategic BAU & Key Priorities

C

1. Agree 2022/23 Business Plan & Budget

2. Annual Review of Terms of Reference for PSB/ISC/PAB

3. Implementation of Members' knowledge and understanding – Knowledge & Skills Strategy

4. Implementation of Members' knowledge and understanding – Training Plan and Training Needs Analysis

5. Implementation of Business Continuity Policy

6. Ongoing review of Business Continuity Plan (including Cyber Security) and Testing

7. Annual Statement of Accounts including compliance with CIPFA requirements

8. Development of Stakeholder Strategy

9. Implementation of Governance Review and Effectiveness Survey

10. LGPS Reform

11. Commencement of AVC Review

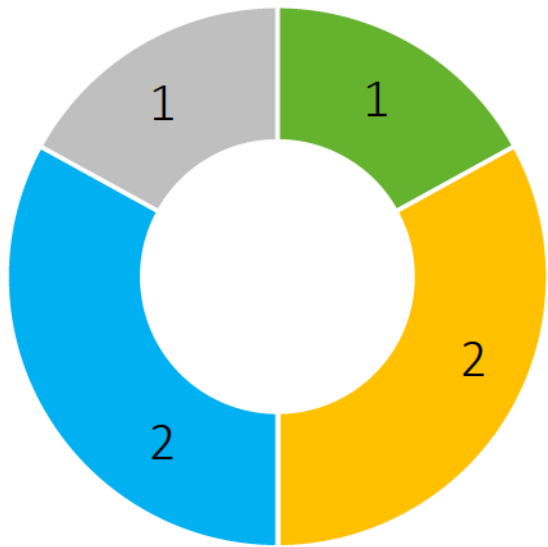
12. Independent Governance & Administration Adviser (IGAA) Contract Review

2. Progress - Funding



Strategic BAU & Key Priorities	C
1. Update Funding Strategy Statement (including Flexibilities Policies)	Completed
2. Annual Interim Funding review	Not due to start
3. Employing Authority discretions and delegations review	Not Applicable
4. Employer Risk review	Not due to start
5. McCloud Preparation/Implementation	In Progress
6. Employer Training Webinars	In Progress

Strategic BAU & Key Priorities



- Completed
- Delayed
- Not Applicable
- In Progress
- Not due to start

3. Progress - Investments

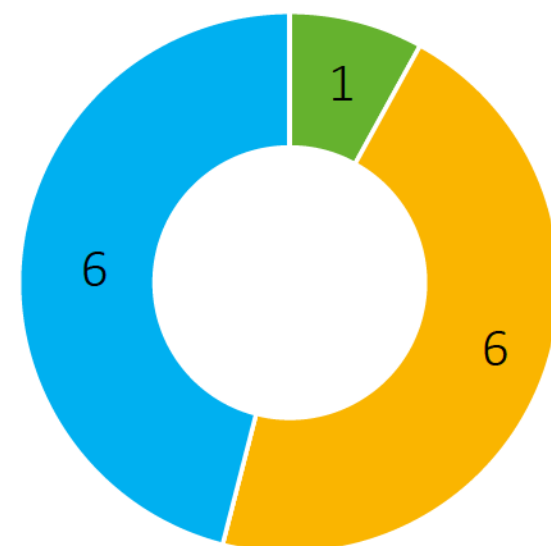


Strategic BAU & Key Priorities

C

1. Develop/Implement Investment Managers Engagement Strategy
2. 2022/23 Treasury Management Strategy review
3. Strategic Asset Allocation review
4. ACCESS collaboration
5. Individual Manager review (on an exceptional basis)
6. Review of CEM Benchmarking / Cost Transparency
7. Development and Implementation to become Signatory of the Financial Reporting Council UK 2020 Stewardship Code
8. Commencement of Annual Review of all investment managers' compliance with the Fund's RI and Stewardship Policy
9. Development of Climate Change Policy Objectives and Metrics (Task Force for Climate related Financial Disclosures)
10. Implementation of Institutional Investment Consultant procurement
11. Institutional Investment Consultant – CMA review
12. Implementation of Global Custody procurement
13. Exploration of external RI Adviser

Strategic BAU & Key Priorities



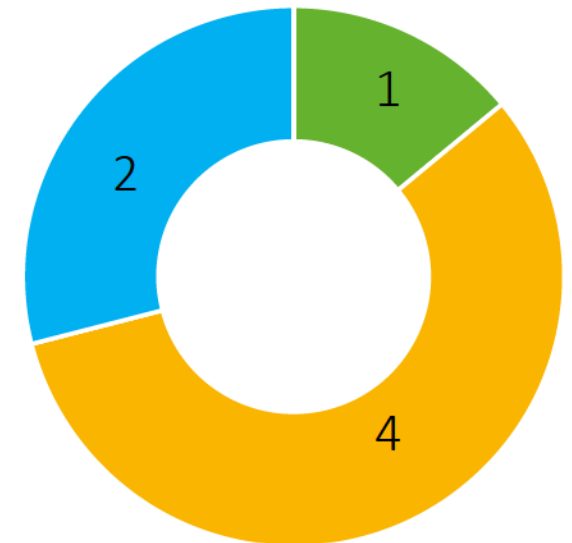
- Completed
- In Progress
- Delayed
- Not due to start
- Not Applicable

4. Progress - Administration



Strategic BAU & Key Priorities	C
1. Review Administration Strategy	Not due to start
2. LGPS Reform – Planning for Administration changes: <ul style="list-style-type: none"> Unpausing of Cost Cap £95k Cap Goodwin 	In Progress
3. Commencement of Pensions Single Payments provider review (dependent on the new ECC Corporate Systems project being implemented)	Not due to start
4. Greater Digitalisation of the Fund including Member Online, Employer Online and Retire Online	In Progress
5. McCloud Preparation/Implementation	In Progress
6. Commencement of Monthly Returns Digital Transformation	Completed
7. The Pensions Regulator (TPR) Data Improvement Plan	In Progress

Strategic BAU & Key Priorities

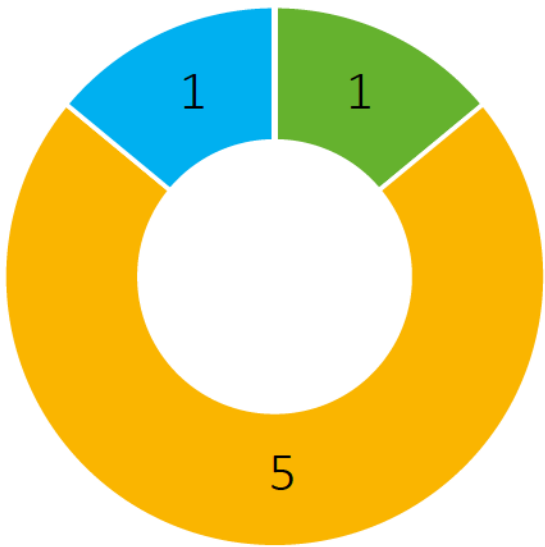


5. Progress - Communications



Strategic BAU & Key Priorities	C
1. Development of Stakeholder Strategy	
2. LGPS Reform: <ul style="list-style-type: none">• Unpausing of Cost Cap• £95k Cap• Goodwin	
3. Greater Digitalisation of the Fund including the exploration of Electronic Communications	
4. McCloud Implications	
5. Implementation of Social Media Channel	
6. Commencement of the Website review	
7. Annual Benefit Statements review and development	

Strategic BAU & Key Priorities



- Completed

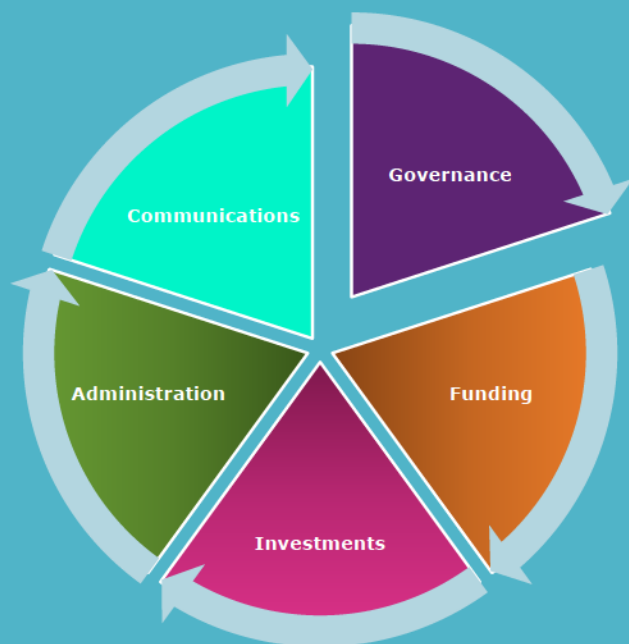
■ Delayed

■ Not Applicable
- In Progress

■ Not due to start

Commentary

1. Governance



Strategic BAU & Key Priorities		Commentary
1. Agree 2022/23 Business Plan & Budget		2021/22 Business Plan & Budget was agreed at the 17 March 2021 PSB meeting. The 2022/23 Business Plan & Budget process will commence in Q4 2021/22.
2. Annual Review of Terms of Reference for PSB/ISC/PAB		Complete. ISC Terms of Reference presented to the Committee at their 16 June 2021 meeting. PSB and PAB Terms of Reference to be presented at their 07 July 2021 meetings.
3. Implementation of Members' knowledge and understanding – Knowledge & Skills Strategy		Complete.
4. Implementation of Members' knowledge and understanding – Training Plan and Training Needs Analysis		Ongoing. Updated provided to PSB at Agenda Item 10.
5. Implementation of Business Continuity Policy		Complete.



Strategic BAU & Key Priorities		Commentary
6. Ongoing review of Business Continuity Plan (including Cyber Security) and Testing		Ongoing. One test has been carried out during Q1 of 2021/22 by Fund Officers and changes have been made to the plan where necessary.
7. Annual Statement of Accounts including compliance with CIPFA requirements		In progress. Update provided to PSB at Agenda Item 08.
8. Development of Stakeholder Strategy		Due to commence in Q2 2021/22.
9. Implementation of Governance Review and Effectiveness Survey		In progress. Update provided to PSB at Agenda Item 13.
10. LGPS Reform		Ongoing.
11. Commencement of AVC Review		Complete. This commenced during Q1 2021/22.
12. Independent Governance & Administration Adviser (IGAA) Contract Review		Due to commence in Q3 2021/22.

Commentary

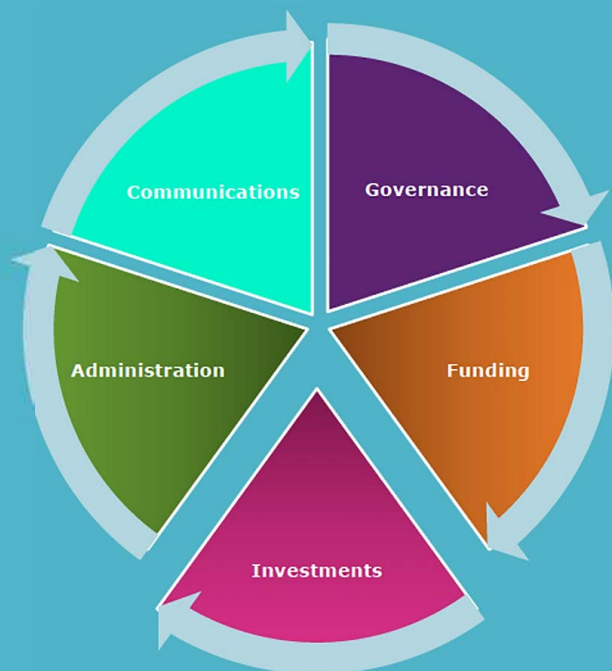
2. Funding



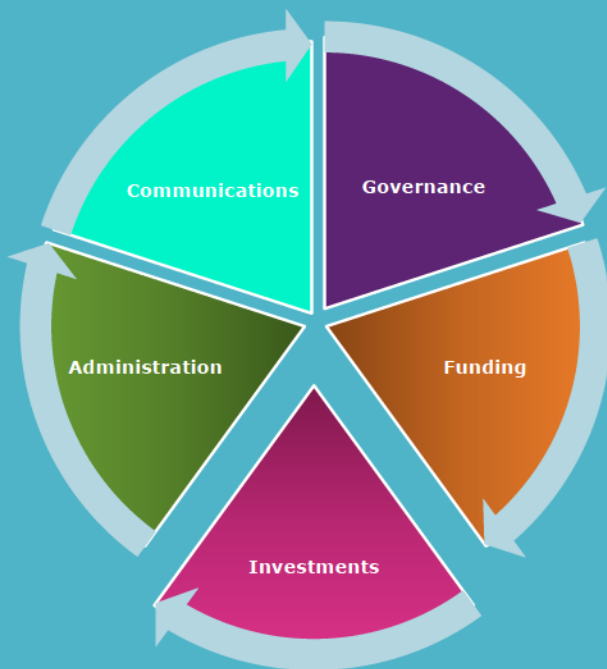
Strategic BAU & Key Priorities		Commentary
1. Update Funding Strategy Statement (including Flexibilities Policies)		Complete. Update provided to PSB at Agenda Item 12a.
2. Annual Interim Funding review		Due to commence Q2 2021/22.
3. Employing Authority discretions and delegations review		Periodically reviewed as and when required.
4. Employer Risk review		Due to commence Q2 2021/22 in conjunction with the Annual Interim Funding review.
5. McCloud Preparation/Implementation		Ongoing.
6. Employer Training Webinars		Ongoing. Currently in development stage.

Commentary

3. Investments



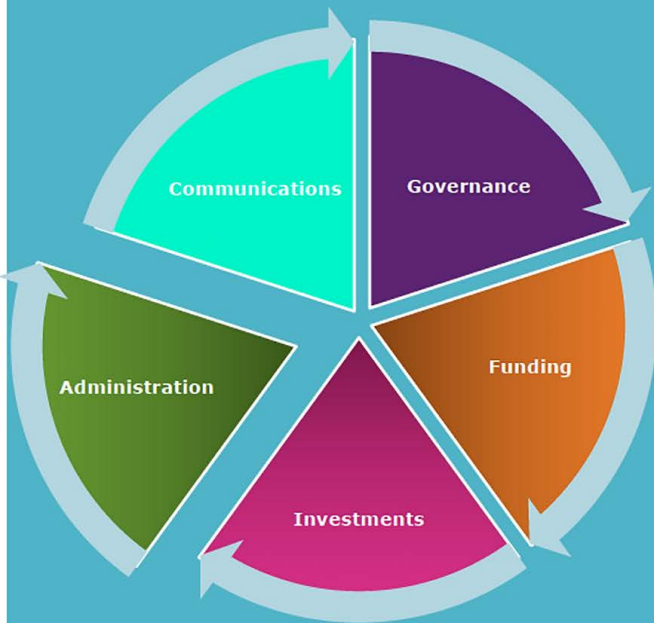
Strategic BAU & Key Priorities		Commentary
1. Develop/Implement Investment Managers Engagement Strategy		The RI Project Plan was agreed at 16 June 2021 ISC meeting which set out a timetable for achieving key deliverables.
2. 2022/23 Treasury Management Strategy review		Due in Q4 2021/22.
3. Strategic Asset Allocation review		The Strategic Asset Allocation review is conducted on a Biannual basis and is reported to the ISC for decisions to made as and when required.
4. ACCESS collaboration		Ongoing.
5. Individual Manager review (on an exceptional basis)		Routinely reported to ISC at each meeting.
6. Review of CEM Benchmarking / Cost Transparency		Due in Q4 2021/22.
7. Development and Implementation to become Signatory of the Financial Reporting Council UK 2020 Principles of Responsible Stewardship Code		The RI Project Plan was agreed at 16 June 2021 ISC meeting which set out a timetable for achieving key deliverables.



Strategic BAU & Key Priorities		Commentary
8. Commencement of Annual Review of all investment managers' compliance with the Fund's RI and Stewardship Policy		The RI Project Plan was agreed at 16 June 2021 ISC meeting which set out a timetable for achieving key deliverables.
9. Development of Climate Change Policy Objectives and Metrics (Task Force for Climate related Financial Disclosures)		The RI Project Plan was agreed at 16 June 2021 ISC meeting which set out a timetable for achieving key deliverables.
10. Implementation of Institutional Investment Consultant procurement		Complete. This was implemented during Q1 2021/22 with the new contract effective from 01 April 2021.
11. Institutional Investment Consultant – CMA review		Due Q3 of 2021/22.
12. Implementation of Global Custody procurement		In progress. Update provided to ISC at their 16 June 2021 meeting. Preferred bidder identified with the contract commencement date of 01 September.
13. Exploration of external RI Adviser		Due Q3 2021/22.

Commentary

4. Administration



Strategic BAU & Key Priorities		<u>Commentary</u>
1. Review Administration Strategy		Due Q3 2021/22.
2. LGPS Reform – Planning for Administration changes: <ul style="list-style-type: none"> Unpausing of Cost Cap 95k Cap Goodwin 		Ongoing. Unpausing of Cost Cap – Administration implications are possible but not yet clear. 95k was revoked last year however a new consultation during 2021/22 is expected. Goodwin – waiting for MHCLG to issue guidance.
3. Commencement of Pensions Single Payments provider review		Pending the BACS Cloud Procurement lead by ECC.
4. Greater Digitalisation of the Fund including Member Online, Employer Online and Retire Online		Ongoing. Continuous development and implementation throughout the year.
5. McCloud Preparation/Implementation		Ongoing. Continuous development throughout the year.
6. Commencement of Monthly Returns Digital Transformation		Complete. This commenced during Q1 2021/22.
7. The Pensions Regulator (TPR) Data Improvement Plan		Ongoing. Continuous development and implementation throughout the year.

Commentary

5. Communications



Strategic BAU & Key Priorities		Commentary
1. Development of Stakeholder Strategy		Due to commence Q2 2021/22.
2. LGPS Reform: <ul style="list-style-type: none"> Unpausing of Cost Cap £95k Cap Goodwin 		Ongoing. Communications on these issues will be developed once further guidance and communications have been issued from MHCLG etc.
3. Greater Digitalisation of the Fund including the exploration of Electronic Communications		Ongoing. Continuous development and implementation throughout the year.
4. McCloud Implications		Ongoing. Continuous development throughout the year.
5. Implementation of Social Media Channel		Ongoing.
6. Commencement of the Website review		Complete. This commenced during Q1 2021/22.
7. Annual Benefit Statements review and development		Ongoing. The Deferred Member Annual Benefit Statement review is complete. The Annual Benefit Statement for Active Members is currently being finalised.

Essex Pension Fund

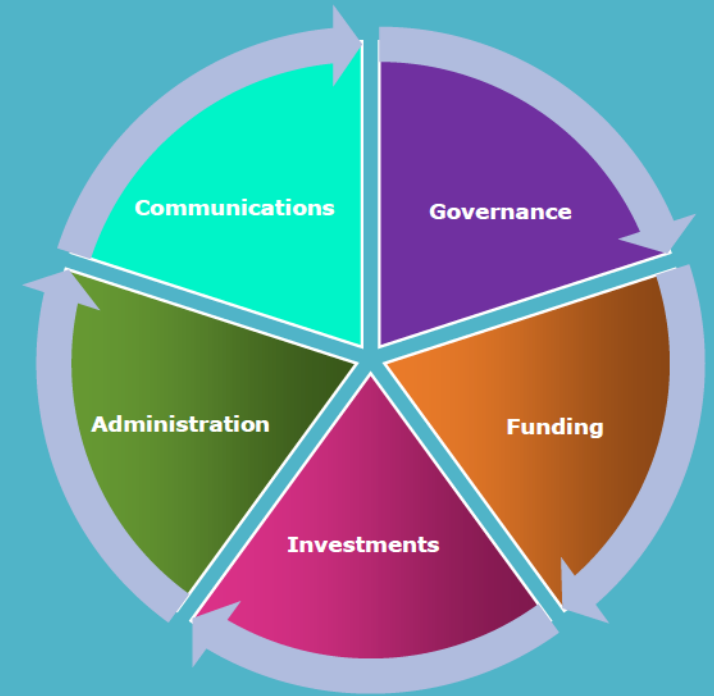
Section B

2020/21

Scorecard

Update

01 March 2021 - 31 March 2021

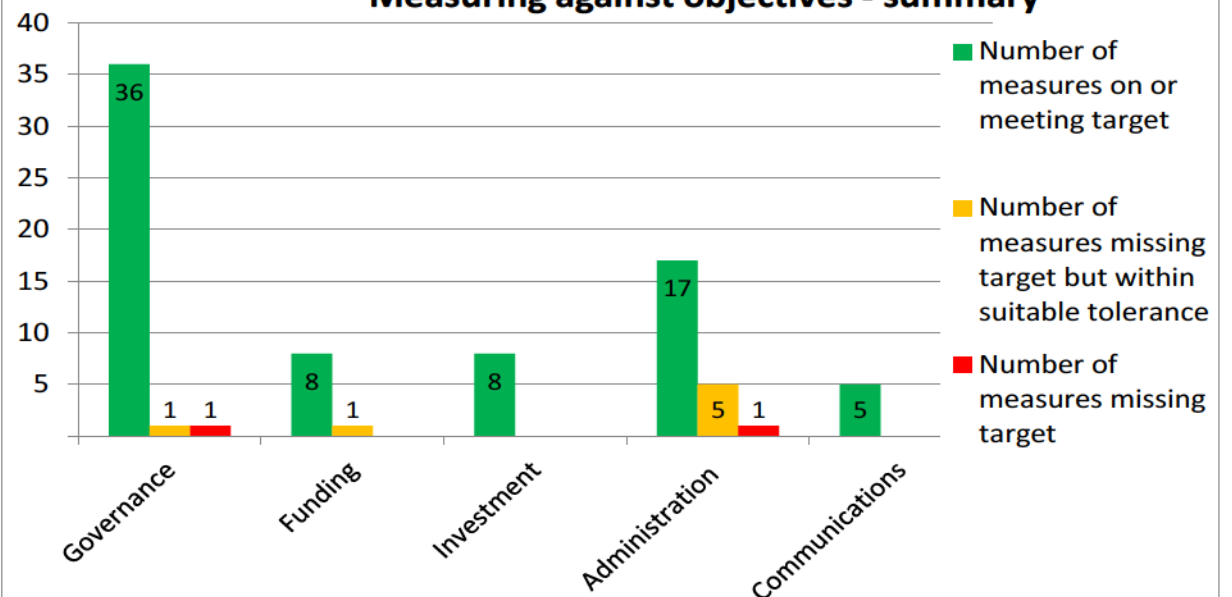


Current Status

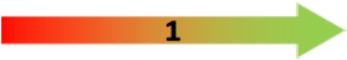
Progress towards meeting EPF objectives



Measuring against objectives - summary



Movements since previous Scorecard

Governance	Funding	Investment	Administration	Communications
	No movements since the last quarter	No movements since the last quarter	No movements since the last quarter	Not applicable until 01 April 2021

The numbers on the arrows represent the number of measures moving each way

Movements during the period 01 March 2021 to 31 March 2021

Exceptions - Governance



Measure	Target	Score as at 28 February 2021	Score as at 31 March 2021	Detail	Trend
1.3.10. % attendance at meetings by PAB	80%	67%	100%	1 PAB meeting took place in this scorecard period on 17 March 2021. 67% was reported at the 17 March 2021 PSB. For year ended 2020/21 81% was achieved against this scorecard measure.	
1.5.6. PAB has provision for representatives of employers and scheme members. Appointees are currently in place	Yes	No	No	On 17 February 2021, Fund Officers received a resignation from one PAB Scheme Member representative. An update has been provided as part of this Agenda Pack at item 9b.	
1.5.7. Terms of Reference for PSB/ISC and PAB in place and reviewed	Yes		Yes	All PSB, ISC and PAB Terms of Reference were reviewed in conjunction with the Governance Policy and Compliance Statement and approved by the PSB at their 17 March 2021 meeting. In addition, the TOR for the PSB has been provided at Agenda Item 4 of this pack for noting.	N/A

Essex Pension Fund

Section C

2021/22 Risk Management Update

31 May 2021



Current Status

Essex Pension Fund



(No. in brackets represents the previous scores reported to the 17 March PSB)
The Exception Report only shows those that have not yet reached their target score.

Assessments

BAU

Risk	Reported at 17 March PSB	As at 31 May 2021
G3. Lack of expertise, insufficient knowledge and maintenance of PSB/ISC/PAB	6 (Yellow) Reviewed due to the pending local elections due to take place in May and the resignation of one PAB Member	4 (Yellow) Reviewed following the outcome of the local elections and 25 May 2021 Full Council Meeting resulting in minimum change
G9. Failure to undertake business as usual service due to events outside of Essex Pension Fund (EPF) control resulting in loss of service provision	8 (Amber) Reviewed due to the lockdown restrictions and reinstatement of two-weekly Business Continuity Meetings	No change
A1. Failure to administer scheme correctly in line with all relevant Regulations and policies owing to circumstances such as, but not limited to: - lack of regulatory clarity; - system issues; - insufficient resources.	9 (Amber) Reviewed due to the increase in the Covid-19 death rate	No change
A3. Failure to pay people at right time in right amount	6 (Yellow) Pending BACS Cloud Procurement update	No change



1. Exceptions - Governance

Risk Details	17 Mar Rating	Current Rating	Controls / Mitigations	Target Score
G9. Failure to undertake business as usual service due to events outside of Essex Pension Fund (EPF) control resulting in loss of service provision	8	8	<ol style="list-style-type: none"> 1. EPF Business Continuity Plan (BCP) in place. 2. EPF BCP regularly tested including call cascades and desk-top exercises. 3. Testing is recorded and monitored. 4. Essex County Council (ECC) also exercise their BCP which includes EPF. 	6
<p>G14. Regulatory risks impacting on Investments, Funding and Administration:</p> <ul style="list-style-type: none"> - McCloud, Cost Cap, £95k Cap and Goodwin - MHCLG Consultations likely to impact on the Fund i.e. resources to deliver the required outputs; - Academisation of Schools, the possibility of Multi-academy Trust (MAT) breakups and cross fund movements with potential for further schools to convert to academy status and MATs to breakdown leading to additional governance and administration risk; - Current cost management review where a flawed process will result in better benefits for scheme members that will mean employers having to pay more than they otherwise would have; 	12	12	<ol style="list-style-type: none"> 1. Regular communications with schools to understand their intentions. 2. Essex Pension Fund (EPF) and their Advisers are actively involved in the development of the LGPS. 3. EPF monitor the current and new regulations and correspondence from Ministry of Housing, Communities and Local Government (MHCLG) and Local Government Association (LGA). 	4



1. Exceptions - Governance

Risk Details	17 Mar Rating	Current Rating	Controls / Mitigations	Target Score
<p>G14 continued.</p> <ul style="list-style-type: none">- Superannuation Contributions Adjusted for Past Experience (SCAPE) rate changes that will significantly increase transfer values paid out (increase of liabilities) and impact on the Funding Strategy via s13 which could mean unforeseen increases to employer contributions;- Increased centralisation of the Local Government Pension Scheme (LGPS) and HM Treasury taking all the assets / structural change;- Guaranteed Minimum Pension (GMP) equalisation resulting in potentially additional costs and/or administration;- National Pensions Dashboard resulting in major changes to data provision;- Separation of the Fund from the Administering Authority;- Government intervention in Fund asset allocation decisions.	12	12	<ul style="list-style-type: none">4. EPF keeps abreast of developments, participating in consultations and collaborating with other Funds.5. EPF utilise the expertise of their Independent Administration and Governance Adviser (IGAA)6. A McCloud project team was set up autumn 2019 to ensure requirements are being actioned and communicated with Employers. The Fund will continue to communicate with Employers and updates on the latest developments will be provided throughout the year.	4



4. Exceptions - Administration

Risk Details	17 Mar Rating	Current Rating	Controls / Mitigations	Target Score
<p>A1. Failure to administer scheme correctly in line with all relevant Regulations and policies owing to circumstances such as, but not limited to:</p> <ul style="list-style-type: none">- lack of regulatory clarity;- system issues;- insufficient resources.	9	9	<ol style="list-style-type: none">1. Essex Pension Fund (EPF) ensure the System complies with the latest regulatory requirements through:<ul style="list-style-type: none">• Technical Hub help to translate regulations and ensure new systems meet regulatory requirements;• Robust testing for system changes• Linking to knowledge and information from software supplier and other Local Government Pension Scheme (LGPS) clients using the same administration software.2. EPF management monitor workload through reporting and align with business plan to ensure sufficient resources.3. EPF have clear business continuity plans including disaster recovery and management succession planning in place.	6



4. Exceptions - Administration

Risk Details	17 Mar Rating	Current Rating	Controls / Mitigations	Target Score
A3. Failure to maintain proper records leading to inadequate data resulting in failure to pay the correct pensions to the right people at the right time.	6	6	<ol style="list-style-type: none">1. Data cleansing exercises take place at least annually or as and when required. Common and Scheme Specific data checks are carried out.2. Essex Pension Fund (EPF) ensure the System is tested regularly to ensure compliance with regulations.3. Robust checking and validation of data takes place in calculations and receipt of information from employers.4. EPF ensures staff are adequately trained by developing and implementing training plans along with encouraging staff to undertake professional qualifications.5. Payroll is conducted earlier than required to allow issues to be rectified prior to payment.	3



4. Exceptions - Administration

Risk Details	17 Mar Rating	Current Rating	Controls / Mitigations	Target Score
A3 Continued.	6	6	<div>6. Liaise with Essex County Council (ECC) Supplier and Service team to ensure ECC BACS system is secure, reliable and up-to-date with required software on an ongoing basis. There is reliance on ECC BACS software solution to ensure payroll is completed at the right time.</div> <div>7. ECC's Corporate System 'TCS' (Financial Ledger system) is in the process of being replaced by another system.</div>	3